

Message Text

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ACTION AGR-08

INFO OCT-01 NEA-10 ISO-00 EB-07 L-03 TRSE-00 OMB-01

CIAE-00 INR-07 NSAE-00 COME-00 /037 W

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R 281450Z AUG 75

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 5981

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DEPT PASS AGRICULTURE FOR CCC

E.O. 11652: N/A

TAGS: EINV

SUBJECT: SALE OF CCC'S INTRA INVESTMENT SHARES TO GOL

REFA: BEIRUT 10762

BEGIN UNCLASSIFIED

1. FOLLOWING IS AN ENGLISH TRANSLATION OF THE DRAFT
SALES CONTRACT BETWEEN THE GOL AND THE CCC:

2. CONTRACT BY AND BETWEEN THE LEBANESE GOVERNMENT,
REPRESENTED BY THE MINISTER OF FINANCE AS FIRST PARTY
AND COMMODITY CREDIT CORPORATION (CCC) AS SECOND PARTY.
WITNESSETH AS FOLLOWS: WHEREAS THE SECOND PARTY OWNS IN
INTRA INVESTMENT CO., S.A.L. AN INTEREST TOTALLING
730468 SHARES, AND WISHES TO SELL THESE SHARES TO THE
LEBANESE GOVERNMENT WHICH HAS EXPRESSED ITS DESIRE TO
BUY THEM AND IN ACCORDANCE WITH PARAGRAPH E OF THE
PROTOCOL DATED OCTOBER 11, 1967 WHICH PROVIDES AS
FOLLOWS:

E. (REPEATED HERE IS THE WHOLE OF PARAGRAPH E OF THE
PROTOCOL IN QUESTION, BEGINNING WITH THE EXPRESSION
"THIS PROTOCOL DOES NOT PREVENT CCC", AND ENDING WITH
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THE EXPRESSION "FIRST REFUSAL TO BUY THE BUILDING OR

THE SHARES".)

3. NOW THEREFORE, THE LEBANESE GOVERNMENT AND COMMODITY CREDIT CORPORATION HAVE AGREED AS FOLLOWS:

ARTICLE I - THE FIRST PARTY AGREES TO BUY 730468 SHARES REPRESENTING THE TOTAL SHARE HOLDING OF THE SECOND PARTY IN INTRA INVESTMENT CO., S.A.L. AND THE SECOND PARTY AGREES TO SELL TO THE FIRST PARTY THE SAID SHARES AT A PRICE OF U.S. \$10,155,670.98 (TEN MILLION ONE HUNDRED FIFTY FIVE THOUSAND SIX HUNDRED SEVENTY U.S. DOLLARS AND NINETY EIGHT CENTS).

ARTICLE II - IN IMPLEMENTATION OF THE PROTOCOL DATED OCTOBER 11, 1967, AND PARTICULARLY PARAGRAPH E THEREOF, THERE SHALL BE DEDUCTED FROM THE SAID PRICE ALL PAYMENTS REALIZED DIRECTLY OR INDIRECTLY BY THE SECOND PARTY, WHICH HAVE SO FAR TAKEN PLACE OR WHICH MAY TAKE PLACE SUBSEQUENT TO THE STATEMENT OF PAYMENTS APPROVED IN THE AGREEMENT BETWEEN INTRA AND CCC EXECUTED ON SEPTEMBER 24, 1973 AND DATED SEPTEMBER 2, 1973 IN THE UNITED STATES FROM INTRA BANK'S ASSETS THERE AND THE DIVIDENDS REALIZED FROM THE SHAREHOLDING OF THE SECOND PARTY IN INTRA INVESTMENT CO.

ARTICLE III - THE FIRST PARTY AGREES TO PAY TO THE SECOND PARTY THE PRICE OF ITS SHAREHOLDING IN INTRA INVESTMENT CO. UPON ENFORCEMENT OF THE PRESENT CONTRACT FOLLOWING ITS RATIFICATION BY THE AUTHORITIES CONCERNED IN LEBANON AND THE UNITED STATES.

ARTICLE IV - AFTER RECEIVING PAYMENT, THE SECOND PARTY AGREES TO TRANSFER THE OWNERSHIP OF ITS SHARES IN INTRA INVESTMENT CO. TO THE LEBANESE GOVERNMENT IN ACCORDANCE WITH THE RULES AND PROCEDURES FOLLOWED IN THIS RESPECT, AND FROM THAT DATE THE LEBANESE GOVERNMENT BECOMES THE OWNER OF THE SAID SHARES WITH ALL THE RIGHTS AND OBLIGATIONS RESULTING FROM SUCH OWNERSHIP.

ARTICLE V - ALL PAYMENTS RECEIVED BY CCC IN THE UNITED STATES AFTER THE TRANSFER OF THE SAID SHARES FROM LIMITED OFFICIAL USE

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INTRA'S ASSETS IN THE UNITED STATES SHALL BECOME THE PROPERTY OF THE LEBANESE GOVERNMENT, AND THE CORPORATION SHALL PAY THE AMOUNTS SO COLLECTED TO THE LEBANESE GOVERNMENT FREE FROM ANY TAXES OR LEVIES DUE THEREON UNDER AMERICAN LAWS.

ARTICLE VI - (THE TAXES AND DUES SHALL BE BORNE BY THE TWO PARTIES.)

ARTICLE VII- THIS CONTRACT SHALL NOT BE VALID
EXCEPT AFTER ITS RATIFICATION BY THE COMPETENT AUTHORITIES.

SECOND PARTY FIRST PARTY
CCC THE MINISTER OF FINANCE
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BEGIN LIMITED OFFICIAL USE 3. COMMENT: RE ABOVE
TEXT, WE QUESTIONED LAHAM ABOUT TWO ITEMS IN PARTICULAR. THE FIRST QUESTION HAD TO DO WITH THE PROPOSED ARTICLE II. IT WOULD SEEM THAT THE PURPOSE OF THIS ARTICLE WOULD BE FOR THE CCC TO RENOUNCE FURTHER CLAIMS ONCE IT HAD RECUPERATED THE ORIGINAL SUM OF \$22 MILLION. AT PRESENT, HOWEVER, IT APPEARS POORLY DRAFTED AND GIVES THE IMPRESSION THAT SUMS PREVIOUSLY PAID WOULD BE DEDUCTED FROM THE SALES PRICE OF APPROXIMATELY \$10 MILLION. LAHAM AGREES THAT THIS ARTICLE NEEDS REDRAFTING TO CLARIFY THE MATTER.

THE SECOND POINT CONCERNS ARTICLE VI ON THE SHARING OF TAXES AND DUES CONNECTED WITH THE CONTRACT. APRART FROM STAMP FEES, THER IS NORMALLY A 10 PERCENT TAX ON PROFITS REALIZED FROM THE SALE OF SHARES. WHILE THE AMOUNT INVOLVED DOES NOT APPEAR TO BE EXCESSIVE, LAHAM BELIEVES THAT IT COULD PROBABLY BE ARGUED THAT NO PROFIT WAS IN FACT REALIZED AND THAT ALL THAT WOULD BE INVOLVED WOULD BE MERELY A SHARING OF THE STAMP FEES.

AS PREVIOUSLY REPORTED FINANCE MINISTRY DIRECTOR GENERAL KHALIL SALEM WILL BE IN WASHINGTON NEXT WEEK FOR THE BANK AND FUND MEETINGS. IN THE INTEREST OF LIMITED OFFICIAL USE

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SAVING TIME, IT MIGHT BE WORTHWHILE TO UTILIZE SALEM'S PRESENCE IN WASHINGTON TO ADVANCE THIS MATTER FURTHER.
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GODLEY

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENT DRAFT, SALES, CONTRACTS, STOCKS (SECURITIES)
Control Number: n/a
Copy: SINGLE
Draft Date: 28 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BEIRUT10901
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750299-0160
From: BEIRUT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975087/aaaaafif.tel
Line Count: 158
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 BEIRUT 10762
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 AUG 2003 by WorrelSW>; APPROVED <03 DEC 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SALE OF CCC'S INTRA INVESTMENT SHARES TO GOL
TAGS: EINV, LE, CCC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006